

## Taiwan Business Indicators in May 2004

Press Release

Council for Economic Planning and Development

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In May 2004, Taiwan's business indicators displayed continued improvement on both the real and financial sides of the economy. Among the indicators compiled by the Cabinet's Council for Economic Planning and Development (CEPD), the leading index declined 0.6% and the coincident index increased 1.7%. The monitoring indicators flash "red" for the first time in nine and a half years, after flashing "yellow-red" for five consecutive months. With the global economy and world trade still on the up, and both domestic and foreign demand encouragingly buoyant, the outlook for the economy remains exceedingly bright.

1. Leading Indicators. The leading index stood at 110.1 (1996=100), slipping 0.63% from April, based on revised data. The loss came as four out of seven components of the index declined from the preceding month, which were money supply M1B\*, stock prices\*, wholesale price change from six months earlier, and average work hours in the manufacturing sector. The components contributing positively to the index's movement were manufacturers' new orders\*, customs-cleared exports\* and floor area of building construction permits.

(Note: components marked with an asterisk indicate year-on-year change rate)

2. Coincident Indicators. The coincident index stood at 112.8 (1996=100), based on revised data, increasing 1.71% from April. Among the six indicators that make up the coincident index, three that made positive contribution were industrial production\*, manufacturing production\*, and manufacturing sales. Two components that made negative contribution were average monthly wage of manufacturing workers\* and bank clearings\*. Domestic freight was not included due to data availability.

3. **The Monitoring Indicators.** The total score of the monitoring indicators gained two points to 39 points in May. Among the nine indicators, four showed changes in their individual light signals, three with gains and one with loss. The improvements were recorded in direct and indirect finance, manufacturing inventory, and non-agricultural employment, while stock prices fell one point. The light signals for M1B money supply, bank clearings and remittances, manufacturing new orders, industrial production, and customs-cleared exports remained unchanged.
4. **Business Expectations.** A survey of manufacturers in June indicated that 15% of manufacturing businesses expected the economy to be better over the next three months, up from 13% a month earlier, while another 15% held a negative view, up from 13% last month; 70% of the manufacturers surveyed expected the economy's performance to remain unchanged, down from 74% in the May survey.

### Leading Indicators

	Seasonally adjusted						
	2003		2004				
	Nov	Dec	Jan	Feb	Mar	Apr	May
Composite index(1996=100)	104.6	106.2	107.1	108.2	109.3	110.8 <sub>r</sub>	110.1 <sub>p</sub>
Change from prior month (%)	0.0	1.5	0.8	1.0	1.0	1.4 <sub>r</sub>	-0.6 <sub>p</sub>
Indicators :							
Manufacturing new orders (yoy %)	8.7	11.9	7.9	10.1	9.5	13.9	14.1 <sub>p</sub>
Manufacturing work hours (monthly average)	188.6	192.2	189.6	188.7	190.1	192.1 <sub>r</sub>	191.2 <sub>p</sub>
Customs-cleared exports (yoy %)	11.7	16.7	27.2	19.6	12.2 <sub>r</sub>	22.4	23.8 <sub>p</sub>
Money supply M1B (yoy %)	19.0	18.1	18.8	22.4	24.0	24.6	23.6
Wholesale price ( % change from 6 month earlier )	0.7	1.8	2.8	3.3	4.8	5.6 <sub>r</sub>	5.5 <sub>p</sub>
Stock price (yoy %)	27.3	26.7	27.5	42.1	49.6	49.8	36.9
Floor area of building construction permits (1000 m <sup>2</sup> )	2,643	3,030	3,449	3,332	3,394	3,329 <sub>r</sub>	3,494 <sub>p</sub>

p: Preliminary. r: Revised.

## Coincident Indicators

Seasonally adjusted

	2003		2004				
	Nov	Dec	Jan	Feb	Mar	Apr	May
Composite index(1996=100)	108.6r	109.5r	110.1r	109.4r	110.9r	110.9r	112.8p
Change from prior month (%)	0.9	0.8	0.6	-0.6	1.4	0.0	1.7
Indicators :							
Industrial production (yoy %)	11.0r	15.1r	13.6r	13.3r	14.1r	13.0r	17.9p
Manufacturing production (yoy %)	11.6r	16.4r	15.5r	15.0r	15.3r	14.1r	18.9p
Manufacturing sales (NT\$ billion)	677.8	682.7	701.2	696.9	702.9	730.9	757.2p
Manufacturing average monthly wage (yoy %)	4.1	0.6	1.2	1.5	3.1	3.2	0.8p
Bank clearings (yoy %)	-2.5	-4.9	6.8	-6.4	7.0	3.9	3.6
Domestic freight ( million t-km )	1,661	1,674	1,669	1,674	-	-	-

p: Preliminary. r: Revised.

## Monitoring Indications

		2003										2004				
		5	6	7	8	9	10	11	12	1	2	3	4	5		
Total Scores		14	20	24	26	29	31	30	34	35	34	36	37	39		
Financial Sector	Monetary Aggregates M1B, yoy%													23.6		
	Direct and Indirect Finance, yoy%													10.3p		
	Bank Clearings and Remittance, yoy%														22.0	
	Stock Price Index, 1966=100, yoy%														36.9	
Real Sector	Manufacturing New Order Index, 1996\$, 1976.1=100, yoy%													6.2p		
	Exports, 2001\$, yoy%														24.1p	
	Industrial Production Index, 1996=100, yoy%														17.9p	
	Manufacturing Inventory-to-Sales ratio, %														51.1p	
Nonagricultural Employment, yoy%															3.2	

Overheating 
 Transition in need of watching 
 Steadily moving forward 
 Transition in need of watching 
 Recession

Note: All data, except stock price index, have been seasonally adjusted.

## Business Expectations

	Business conditions 3 months later (% of manufacturing firms surveyed)				Capacity utilization (%)	Profit rate (%)
	Better (1)	Same (2)	Worse (3)	Net change (1)-(3)		
2002 Sep	14	68	18	-4	77.2	4.9
Oct	10	69	21	-11	78.5	5.1
Nov	13	68	19	-6	77.8	5.1
Dec	21	66	13	8	78.0	4.9
2003 Jan	25	65	10	15	78.0	5.0
Feb	26	61	13	13	73.4	4.5
Mar	19	65	16	3	78.4	4.8
Apr	13	61	26	-13	77.7	4.6
May	16	69	15	1	78.1	4.5
Jun	17	75	8	9	77.5	4.5
Jul	17	70	13	4	79.2	4.9
Aug	22	65	13	9	78.7	4.8
Sep	22	65	13	9	78.7	4.8
Oct	18	69	13	5	80.2	5.0
Nov	20	65	15	5	79.5	4.9
Dec	24	66	10	14	80.4	5.1
2004 Jan <sub>r</sub>	34	59	7	27	77.1	4.7
Feb	32	58	10	22	79.3	5.0
Mar	19	70	11	8	81.0	5.2
Apr <sub>r</sub>	13	74	13	0	80.5	5.1
May <sub>p</sub>	15	70	15	0	80.3	5.1

p: Preliminary. r: Revised.

~~ The next release is scheduled for July 27, 2004 ~~